(17)

IN THE

Supreme Court of The United States

OCTOBER TERM 1943

NO. 842

JAMES P. DOVEL, and
JAMES P. DOVEL & COMPANY, INC.,
a Corporation,

Petitioners and Appellants below

vs.

SLOSS-SHEFFIELD STEEL & IRON COMPANY, a corporation,

Respondent and Appellee below.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH CIRCUIT AND BRIEF IN SUPPORT THEREOF

HUGH A. LOCKE
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Attorneys for Petitioners

SUBJECT INDEX

TABLE OF CASES CITED

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Respondent and, Appellee below.

To the Honorable Chief Justice and the Associate Justices of the Supreme Court of the United States:

Your petitioners respectfully show:

I

SUMMARY STATEMENT OF THE MATTER INVOLVED

Petitioner Dovel, an inventor, became employed by respondent during December, 1909 (R. 177). He continued in the employ of respondent from that date until December 31, 1929 (R. 272). During which time he advanced from

draftsman to the Vice President of respondent corporation (R. 269-272).

In 1909 when Dovel became so employed he had application pending with the United States Patent Office covering a gas cleaning apparatus, and he was working on other ideas which he thought patentable (R. 180). Between 1909 and 1921 respondent adopted and used the gas cleaning apparatus covered by letters patent Nos. 1,001,738 and 1,001,740; also three additional patented apparatus, and paid Dovel for the use thereof under formal licenses executed July 20, 1921. (R. 426-432, Plaintiffs' Exhibits H, I, J and K, entered for identification). These licenses were executed in response to a letter written by Dovel to J. W. McQueen, the then president of respondent corporation, requesting that respondent pay him for his inventions adopted and used up to that time (R. 432-433, Plaintiffs' Exhibit L, entered for identification).

All of the inventions, the subject matter of this suit, were adopted and used by respondent just subsequent to the completion of the above mentioned transaction (R. 197).

The expense of installing Dovel's inventions were paid for by respondent.

The entire expense of the developing of these inventions were paid by Dovel individually (R. 472). Dovel had an agreement with respondent to pay, and paid, at cost plus 10% for all materials and labor of respondent purchased or used by him in the development of his inventions (R. 235).

Each of Dovel's inventions was developed fully by him before they were adopted and used by respondent (R. 286), each being installed as designed by him and their practical

application, produced the result proposed by the inventor without change or alteration of any kind (R. 300).

One of the inventions sued upon necessitated the tearing down of the old and building of a new furnace as it changed the contour by materially widening the top. The other inventions constituted the Dovel process. The expense of tearing down the old and building the new or of installing these inventions constituting the Dovel process were paid by respondent (R. 284-5). All installations were made upon the authority and approval of respondent acting through its president and executive committee (R. 325).

Dovel had not granted respondent a free license to use (R. 260). All inventions adopted and used prior to the seven here in issue were paid for (R. 426-435, Plaintiffs' Exhibits H, I, J, K, and L entered for identification).

Respondent recognized the great value of these inventions by advertising to its trade that its furnaces constructed and embodying Dovel's inventions, were the most modern and up-to-date furnaces in existence; the quality of pig iron produced thereby was greatly improved and the quantity of production was increased all at a greatly reduced expense in upkeep and repair (R. 444-450, Plaintiffs' Exhibit Q).

This is an action at law filed in the Circuit Court of Jefferson County, Alabama, on June 17, 1937 (R. 14), removed to the Federal Court by respondent herein (R. 15-16). This suit sought to recover the value of the use of seven inventions, each covered by letters patent issued to James P. Dovel, one of the petitioners herein. The complaint consisted of several counts and sought to recover the reasonable value of the use, either under an expressed or implied contract (R. 1-14, 19-43). All of these inventions relate to new and improved methods and apparatus for the

construction and operation of metallurgical blast furnaces in the manufacture of pig iron (R. 365-426).

The district judge, when the case was called on October 12, 1942, split the issues and ordered trial on the question of liability vel non and reserved the issue of damages (R. 64-65). The trial was by jury (R. 65). Upon the conclusion of the petitioners' evidence (R. 355-356, 360-363), respondent made motion for directed verdict which was granted. Appeal was taken by petitioners to the United States Circuit Court of Appeals for the Fifth Circuit (R. 450-451), which affirmed the judgment of the district court.

The principal questions involved on said appeal were:

(1) The right of petitioners to recover under an implied contract the reasonable value of the use separately and severally of each or any or all of said seven inventions.

(2) Whether evidence showing payment to petitioner James P. Dovel for five licenses for use of five inventions patented prior to the seven involved in this case was admissible as showing the intent of petitioner James P. Dovel to charge for the use and of the respondent to pay for the use of the seven patents sued for in this case.

(3) Whether or not petitioner James P. Dovel was a competent witness to testify with reference to alleged agreement to pay under Title 7, Section 433 of the 1940 Code of Alabama.

(4) Whether or not defendant was entitled to the use of said inventions because of shop rights.

(5) Whether or not petitioners were barred from asserting cause of action by estoppel, laches or statute of limitations.

(6) Whether or not the giving of a directed verdict was error.

The above questions were passed upon by the Circuit Court of Appeals in said decision.

II

RULINGS OF THE COURT BELOW

1. The District Court split the issues made up by pleading and ordered trial on the issue of liability, reserving the question of damages. (R. 64).

A. It held that plaintiffs' Exhibits H, I, J, and K, showing payment for earlier patents, were inadmissible (R. 224).

B. It was decided that Plaintiffs' Exhibit L was inadmissible because within the inhibition of Title 7, Sec. 433, 1940 Code of Alabama. (R. 228). (The agent of respondent had died).

C. It entered final judgment on motion of respondent for directed verdict. (R. 363-64).

2. The Circuit Court of Appeals for the Fifth Circuit (Circuit Judges Sibley, McCord and Waller affirmed the judgment of the District Court in an opinion by Justice Sibley (R. 468-473) published in 60 U. S. Patent Quarterly 86, holding that "no shop right" arise in respondent but

A. A right "similar" to shop right arose in respondent which entitled them to the free nonexclusive license to use the inventions of petitioner. (R. 472)

B. That Plaintiffs' Exhibits H, I, J, and K were inadmissible (R. 470) "and insufficient to show a course of

conduct whereon the plaintiff could rely in permitting a use of future patents". (R. 470)

C. That Plaintiffs' Exhibit L was inadmissible because it offended Title 7, Section 433, 1940 Code of Alabama, and for the further reason that it contained self-serving declarations. (R. 469-470)

D. And therefore petitioners are estopped to claim compensation for past or future use of the inventions. (R. 472)

III

JURISDICTION

The jurisdiction of this Court is invoked under Section 240(a) of the Judicial Code, as amended February 13, 1925, C.229 (43 Stat. 938, 28 U.S.C.A. 347). The judgment of the Circuit Court of Appeals was entered November 22, 1943 (R. 468-473). On the 8th day of February, 1944 this Court entered an order extending time within which to file petition for certiorari to and including April 3, 1944 (R. 474). Petition filed 3rd day of April, 1944.

IV

STATUTES INVOLVED

Title 7, 1940 Code of Alabama, Section 433 printed in Appendix at page 37

Title 35, U.S.C.A. Sec. 48, R. S. Sec. 4899 printed in appendix at page 36

Revised Statutes, Sec. 858; June 29, 1906, C 3608, 34 Stat. 618 (28 U.S.C.A. 631) printed in appendix at page 36

V

CONSTITUTIONAL SECTION INVOLVED

Art 1, Sec. 8, Cl. 8, U. S. Constitution, printed in appendix at page i.

VI

THE QUESTIONS PRESENTED

1. Whether an implied contract to pay for the use of patentees' inventions may be established from the conduct and dealing of the parties without an explicit agreement or meeting of the minds of the parties as to compensation.

2. Whether formal licenses to use executed by patentee (petitioners) to respondent during the term of his employment at a time prior to use of the inventions here in issue is admissible to show the intention of the parties.

3. Whether a copy of a letter written by petitioner, Dovel, to the president of the respondent corporation, now deceased, offends Title 7, Section 433, 1940 Code of Alabama, or whether it is inadmissible because it contains self-serving declarations.

4. Whether the respondent has a free non-exclusive license to practice petitioners' inventions under a right "similar" to shop right, under circumstances which do not give rise to shop right.

5. Whether because of the right "similar" to shop right petitioners are estopped to claim compensation for past or future use of the inventions.

6. Whether the giving of the directed verdict was error.

7. Whether the trial court's action in splitting the issues made up by the pleading, and ordering trial on question of liability, reserving the question of damages is such a departure from the accepted and usual course of judicial proceedings as to call for this Court's power of supervision. (R. 64)

8. Whether the case of *Gill vs. U.S.*, 160 U.S. 426, 40 L.Ed, 480 cited by the Circuit Court of Appeals in support its decision is entirely apposite.

VII

REASONS RELIED ON FOR THE ALLOWANCE OF THE WRIT

The Circuit Court of Appeals has decided a Federal question in a way probably in conflict with applicable decisions of this Court.

1. Because the decision of the Circuit Court of Appeals has enlarged the limited right under Statute[1] contrary to Art. 1, Sec. 8, Cl. 8, Constitution of the United States, or it has created a new right under an important question of Federal law not heretofore recognized by this Court, which has not but should be settled by this Court.

2. Because we understand the decision of the Circuit Court of Appeals to be in conflict with the decision announced by this Court in *U. S. v. Anciens Establissments,* 224 U. S. 309, 56 L.Ed. 778, and *DeForest Co. v. U. S.,* 273 U. S. 236, 71 L.Ed. 625 as to the establishment of an implied Contract, and in conflict with that doctrine as understood and applied by the Circuit Court of Appeals for the

[1]Tit. 35 U.S.C.A. Sec. 48, R. S. Sec. 4899.

Seventh Circuit in *Wisconsin Steel Co. v. Maryland Steel Co.*, 203 Fed. 403. (C.C.A. 7th Cir.)

3. Because the District Court in sustaining respondent's objection to the admission in evidence of Plaintiffs' Exhibits H, I, J, and K, and the Circuit Court of Appeals in affirming have decided this question in conflict with the weight of authority, and particularly contrary to the decisions of this Court in *Anciens Establissments, supra,* the *DeForest* case, *supra,* and in conflict with the decision of the Circuit Court of Appeals for the Seventh Circuit in the *Wisconsin Steel Case, supra.*

4. Because the District Court in sustaining respondent's objection to the admission in evidence of Plaintiffs' Exhibit L and the Circuit Court of Appeals in affirming have decided this question in conflict with Title 28, U.S.C. A. 631, R.S. Sec. 858; June 29, 1906, C. 3608, 34 Stat. 618 in this: they have failed to apply the rule of competency of witnesses as laid down by the Supreme Court of Alabama in the case of *Whitfield v. Hill,* 235 Ala. 620, 180 So. 293; *Wharton, et al. v. Black,* 195 Ala. 93, 70 So. 758; *Southern Natural Gas Co. v. Davidson,* 225 Ala. 171, 142 So. 63, and *Moore v. Moore,* 212 Ala. 685, 103 So. 892.

4. By deciding that the former conduct of the parties is insufficient to show a course of conduct whereon petitioners could rely in permitting a use of future inventions.

5. The decision of the Circuit Court of Appeals as to the doctrine of estoppel is an erroneous decision of an important question of general law in a way probably untenable and in conflict with the weight of authority.

We understand the ruling of the Circuit Court of Appeals to be in conflict with the doctrine of estoppel an-

nounced by this Court in *Brant v. Virginia Coal & Iron Co.*, 23 L.Ed. 927, 93 U. S. 326, and in conflict with that doctrine as understood and applied by the Circuit Court of Appeals for the Third Circuit in the case of *Standard Sanitary Manufacturing Co. v. Arrott*, 135 F. 750, (C.C.A. 3rd.)

6. The Circuit Court of Appeals in holding that the conduct and dealing between the parties is insufficient to make up a jury question as to whether or not the parties were dealing on the basis of contract has so far departed from the accepted and usual course of judicial proceedings as to call for the exercise of this Court's power of supervision, in this: they have failed to apply the rules laid down by this Court in the case of *Gunning vs. Cooley*, 281 U. S. 90, 74 L.Ed. 720, as to the quantum of evidence required legally to permit the submission of a case to a jury.

7. Because the action of the District Court in splitting the issues made by the pleading and ordering trial on question of liability reserving the question of damages, and sanctioned by the Circuit Court of Appeals has so far departed from the accepted and usual course of judicial proceedings as to call for the exercise of this Court's power of supervision.

8. Because the decision of this Court in the case of *Gill v. U. S.*, 160 U. S. 426, 40 L.Ed. 480 is not entirely apposite.

WHEREFORE, your petitioners pray that a writ of certiorari be directed to the Circuit Court of Appeals for the Fifth Circuit to review the proceedings of said court on its docket No. 10592, entitled James P. Dovel and James P. Dovel & Co., Inc., Appellants, v. Sloss-Sheffield Steel & Iron Company, appellee, to the end that this cause may be

reviewed and determined by this Court and for such further relief as this Court may deem proper.

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